

Background

More and more publishers are creating new or migrating existing offline publications to emerging online platforms, particularly tablets and mobile. Murdoch's new *The Daily* is a prime example. As a consequence, both Apple and Google are competing heavily to convince publishers that their platforms, user experiences, and advertising models are the most commercially viable propositions. Last week Apple and Google raised the stakes by announcing two different "one-click subscription models" for publishers, with the key difference being the amount each party will get for each subscription sold. Apple will get 30% for each subscription sold through their platform. In contrast, Google's "One Pass" system is a flat 10% charge (i.e., the publisher keeps 90%). The new Apple system is mandatory starting June 30th while Google's is opt-in and available now.

Details

Both companies are focused on promoting the key benefit of a simple "one-click to buy a subscription is now a reality" model. However, there are additional stipulations and rules particularly for the heavily controlled App Store. For example, Apple smartly stipulates that there can't be a better offer outside the App store, i.e., publishers can't use the store as a marketing mechanic to push people to get better deals somewhere where the publisher gets a bigger slice of revenue. Furthermore, publishers must remove all links within current and future apps to purchasing systems outside of the App Store, which is a big blow for Amazon and Kindle.

In comparison Google's 'One Pass' is a much more publisher friendly model. With Google, publishers have more discretion on how and when to charge people, which may be a decisive factor for media owners forced to choose between the two platforms.

Implications

Advertisers should be aware of two major issues. First, Apple, fiercely protective of user data/trust, now controls the data from its publishers' apps. While users have the *option* of sending simple data to publishers it is not required. Consequently, the ability to target inventory based on data across apps and publishers will increasingly be controlled by Apple not the publisher.

Second, there are further concerns over iAd price inflation given Apple's attempts to gain more control over mobile and tablet advertising. However, as the market matures and Apple's relative share declines this should be less of an issue. Furthermore, there is an opportunity here for other manufacturers and operating systems (e.g., Microsoft) to attract the publishing industry with better advertising experiences, consumer reach, and commercial models.

Summary

Apple announces their new model from a clear position of strength; the iAd, iPad, and iPhone have all revolutionized their respective industries as well as quickly gaining significant scale in nascent markets. Apple now offers advertisers an operating system that controls over 100 million high-value consumer accounts all connected to credit cards.

However, it's questionable whether this model can survive long-term, particularly with Google and Microsoft both investing enormous resources and willing to be much more flexible to both publishers and advertisers than Apple.